

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 INT-08 GSA-02 SP-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DODE-00 PA-04 USIA-15 PRS-01 DRC-01 L-03

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TAGS: EMIN, VE

SUBJECT:CVG PRESIDENT ANNOUNCES IRON ORE CONCESSION TAKEOVER
FOR DECEMBER

REF: CARACAS 5383

BEGIN UNCLASSIFIED

1. ARGENIS GAMBOA, CVG PRESIDENT, WAS QUOTED AS HAVING SAID ON JULY 22

THAT THE VENEZUELAN GOVERNMENT WILL TAKE PHYSICAL POSSESSION OF IRON
ORE EXPLORATION COMPANIES, I.E. U.S. STEEL AND BETHLEHEM STEEL,
IN DECEMBER 1974.

2. TO THAT END, THREE COMMISSIONS ARE NOW AT WORK, ONE FOR APPRAISAL
OF COMPANY ASSETS, A SECOND TO STUDY LEGAL ASPECTS OF THE TAKEOVER, AND

A THIRD MANAGEMENT COMMITTEE PRESUMABLY TO TAKE OVER ADMINISTRATION
OF THE COMPANIES WHEN THEY ARE TRANSFERRED TO THE STATE. THE FIRST
COMMITTEE IS SCHEDULED TO COMPLETE ITS APPRAISAL BY THE END OF SEPTEMBER.
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BER.

3. REGARDING INDEMNITY TO THE COMPANIES, GAMBOA REPORTEDLY SAID IT WOULD BE ON BASIS OF NET DEPRECIATED VALUE OF FIXED ASSETS.

4. THAT SAME EVENING, AN OVERFLOW CROWD ATTENDED PUBLIC FORUM AT COLLEGE OF ENGINEERS ON STATE STEEL COMPANY, SIDOR, DEVELOPMENT PLANS.

SIDOR CALLS FOR BIDS TO EXPAND ITS FACILITIES HAVE BEEN REPORTED SEPARATELY, BUT IT SHOULD BE EMPHASIZED THAT THE VENEZUELAN GOVERNMENT

IS WELL ALONG IN ITS PLANNING SCHEDULE TO LAUNCH WHAT WILL BE FOURFOLD INCREASE IN STEEL PRODUCTION CAPACITY BY 1977. THIS EXPLAINS IN PART SHORT TIMETABLE FOR IRON ORE NATIONALIZATION, THE FACT THAT GOV WANTS TO BE ASSURED OF SUFFICIENT IRON ORE TO FEED PROPOSED NEW STEEL MAKING FACILITIES. END UNCLASSIFIED.

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5. GAMBOA'S STATEMENT SHOULD NOT BE CONSTRUED TO MEAN THE U.S. COMPANIES WILL BE OUT OF BUSINESS BY THE BEGINNING OF 1975. PENDING FURTHER

NEGOTIATIONS IT MEANS MERELY THAT THE GOV WILL OWN PRODUCTION FACILITIES

FROM THAT DATE. THE FUTURE ROLE OF U.S. STEEL AND BETHLEHEM STEEL IN THE VENEZUELAN IRON ORE INDUSTRY REMAINS TO BE DETERMINED. END LIMITED OFFICIAL USE.

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